

**GOVERNMENT OF ANDHRA PRADESH
ABSTRACT**

Mines and Minerals – Recommendations of the High Powered Committee Constituted to scrutinize and evaluate the expressions of interest and to select a suitable Joint Venture entrepreneur to establish an Integrated Steel Plant with Beneficiation with private participation based on the iron ore supplied by the APMDC from the deposits available at Bayyaram, Garla and Nelakondapalli Mandals of Khammam District and Gudur Mandal of Warangal District - Accepted - Orders – Issued.

INDUSTRIES AND COMMERCE (M.III) DEPARTMENT

G.O.Ms.No. 69.

Dated 24-02-2009.

Read the following:-

- 1) Government letter No.15502/M.III(2)/2008-1, dt.03-01-2009.
- 2) From the VC & MD, APMDC proposals Ref.No.APMDC/Iron Ore/EOI/KMM/WGL/2009, dt.17-01-2009.
- 3) G.O.Ms.No.28, Ind. & Com (M.III) Deptt., dt.31-01-2009.
- 4) From the VC & MD, APMDC, letter No.APMDC/Iron Ore/BYM/KMM/2008/3515, dt.10-02-2009.

&&&

ORDER:-

In the reference 1st read above, Government have accorded permission for calling Expression of Interest from the eligible applicants for setting up of an Integrated Steel Plant including beneficiation, based on the Iron Ore deposits available in areas at Bayyaram, Garla and Nelakondapalli Mandals of Khammam District and Gudur Mandal of Warangal District; by the APMDC under Joint Venture with a condition that the Expression of Interest shall be subject to obtaining all statutory clearances from Government of India for grant of Mining Leases for Iron Ore in favour of M/s Andhra Pradesh Mineral Development Corporation Limited and accordingly the draft Tender Document was also approved.

2) In the reference 2nd read above, the Vice Chairman & Managing Director, APMDC has stated that the Corporation issued for publication of the notification in all editions of Indian Express English daily news paper and also all editions of Andhra Prabha Telugu daily news paper covering A.P. The last date of submission of EOI was 19-1-2009. Further, the Vice Chairman & Managing Director, APMDC has requested the Government to Constitute a Committee for evaluation of the Expressions of Interest (EOIs) received and Selection of a suitable entrepreneur.

3) In the G.O. 3rd read above, Government have constituted a five member High Powered Committee to scrutinize and evaluate the expressions of interest with reference to eligibility on merit and to select a suitable Joint Venture entrepreneur to establish an Integrated Steel Plant including Beneficiation Plant with private participation based on the iron ore supplied from the Iron Ore deposits available in Bayyaram, Garla and Nelakondapalli Mandals of Khammam District and Gudur Mandal of Warangal District and to submit their report to Government. The said High Powered Committee shall also fix the percentage of equity to APMDC in the proposed Integrated Steel Plant, consideration amount for supply of Iron Ore which should be paid to APMDC and fixation of amount to be paid towards local area development.

4) The VC & MD, APMDC and Member Convener of the High Powered Committee vide reference 4th read above has submitted the following minutes of High Powered Committee meeting held on 7-2-2009 along with a draft

{pto}

Iron Ore Supply Agreement to be entered into between APMDC and M/s Rakshana Steels Limited and requested the Government to accord approval for entering into agreement :-

- "(i) Out of the two applications M/s Pioneer Torsteels Mills Private Limited, did not fulfil the basic requirements of turnover etc. Besides, they failed to pay the EMD in the form of DD and hence the said application is liable for rejection.

The application filed by M/s Rakshana Steels Ltd and its Consortium pertains to a proposal to establish Integrated Steel plant with an investment of Rs. 500 crores, under Joint Venture with M/s ISPAT Industries, who are giants in steel production in India and also with the participation of local partner company M/s Amoda Iron and Steels Pvt. Ltd who are already in the field of Sponge Iron production near Jaggayyapeta in Krishna District. The Committee considered that the said offer of the Joint Venture Consortium can be accepted keeping in view of the proposal to establish a major industrial project in the backward area of Khammam District.

- (ii) With regard to consideration payable to APMDC over and above the production cost, the Committee was apprised of the similar Projects recently cleared by Government of Andhra Pradesh in respect of Bauxite mining. The Committee felt that a reasonable percentage on production cost of Iron Ore can be fixed. As the Iron Ore here is low grade and needs beneficiation, it involves reasonable expenditure. Hence, the prevailing market price for Iron Ore, which is directly consumed in the Steel Industry, cannot form a basis. Even if it is taken as a basis it is desirable to subtract the expenditure involved for beneficiation and also expenditure involved in transportation of the ore from mine head to the factory premises and ultimately to arrive at the value of the mineral at pit head which forms sale price of the ore. There are so many implications in arriving at such formula and, therefore, in order to have simplified procedure the Committee felt that a reasonable percentage, based on norms of IRR, on production cost can be levied as the consideration component to APMDC apart from production cost. Thus, APMDC can charge 16% on production cost as the consideration component besides collecting all statutory levies payable by APMDC to various Government agencies like Royalty, Service Tax, Cess, etc., payable under statutory provisions from the J V Consortium.
- (iii) With regard to fixation of equity in the project, since similar exercise already made in respect of value added Aluminum Industry by the Committee and Government, in principle, accepted the recommendation of the Committee and issued orders in G.O.Ms.No.222 Dt:13.08.2008 by adopting same analogy equity is recommended at 1.5% in the project to APMDC, with a ceiling limit of Rs.2.50 crores, subject to the condition that the equity shall be advanced by the Joint Venture Consortium and the same shall be recovered in 120 equal monthly installments without interest, out of the material to be supplied by APMDC after commencement of the commercial production of the project.
- (iv) With regard to charges for local area development, the Committee has gone into the earlier fixation made in respect of Bauxite mining and also Galaxy Granite mining and considering the fact that the Iron Ore is of low grade involving beneficiation cost it is recommended to levy 5% on annual consideration amount payable to APMDC by the Consortium Company.

{Contd..3}

- (v) With regard to the expenditure to be incurred for obtaining mining leases by APMDC as envisaged in the notification the Joint Venture Consortium shall bear the entire expenditure duly paying advance amount as and when APMDC indicates so as to pay the amounts required for payment towards net present value, preparation of mine plans, preparation of all required study reports for getting environmental clearances.
- (vi) The Consortium Partner shall establish the proposed integrated Steel Plant within 5 years from the date on which all statutory clearances are obtained failing which the agreement will be liable for cancellation.
- (vii) APMDC shall undertake assessment of Geological reserves in all the 4 Mandals by deploying highly competent technical agency and the expenditure for that geological assessment shall be borne by the Consortium Company.
- (viii) After detailed geological exploration if the ore available in the area is not sufficient to meet the needs of the industry for an optimum minimum period APMDC is not responsible.
- (ix) The Joint Venture Company shall offer Director(s) proportionate to the investment of APMDC subject to a minimum of one Director. The Joint Venture Company shall not involve in sale of raw material to any other agency and the entire material is exclusively to be utilized in the value added industry. APMDC shall not be responsible for the quality available in the area and whatever the quality of the ore that is available and suits the industry the Joint Venture Company shall make use duly resorting for latest Beneficiation Technology.

The other terms and conditions as stipulated in the Bauxite agreement with M/s ANRAK holds good."

5) The Government have examined the above recommendations of the High Powered Committee in consultation with Finance Department and they have agreed subject to vetting of the Draft Agreement by the Law Department. Further, the Draft Iron Ore Supply Agreement has been scrutinized and vetted by the Law Department vide their U.O.No. 1088/LSP/2009, dt.24-02-2009, appended to this G.O.

6) Government have examined the matter in detail and after careful consideration, hereby accept and approve the above recommendations of the High Powered Committee, in toto and also approve the said Draft Agreement for supply of Iron Ore by the APMDC from the Iron Ore deposits available at Bayyaram, Garla and Nelakondapalli Mandals of Khammam District and Gudur Mandal of Warangal District to the proposed Integrated Steel Plant to be established including Beneficiation under Joint Venture with M/s Rakshana Steels Limited and its Consortium. The Vice Chairman & Managing Director, M/s Andhra Pradesh Mineral Development Corporation Limited, is permitted to enter into above agreement, as approved by Law Department vide their U.O.No.1088/LSP/2009, dt.24-02-2009, with M/s Rakshana Steels Limited.

{Contd..4}

:: 4 ::

7) However, the above said approval and permission of the Government is subject to reservation of Iron Ore bearing areas / Grant of Mining Lease in favour of APMDC Limited as the case may be, in Bayyaram, Garla, Nelakondapally Mandals of Khammam District and Gudur Mandal of Warangal District by the Government of India, and the said agreement will be implemented only on receipt of reservation of Iron Ore bearing areas, in favour of APMDC, by Government of India.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

Y. SRILAKSHMI
SECRETARY TO GOVERNMENT.

To
The Vice Chairman & Managing Director, M/s Andhra Pradesh
Mineral Development Corporation Limited, Ameerpet,
Hyderabad.

Copy to:

The Director of Mines & Geology, Andhra Pradesh, Hyderabad.
The Secretary to Govt.of India, Ministry of Mines, Shastri Bhavan,
New Delhi-110 001.
The Controller General, Indian Bureau of Mines, 2nd Floor, "A" Block,
Indira Bhavan, Civil Lines, Nagapur- 440 001.
The Regional Controller of Mines, Indian Bureau of Mines, Koti,
Hyderabad.
The Finance (Expr.I&C) Department.
The Law Department.
The Prl.Secretary to Hon'ble Chief Minister.
The Prl.Secretary to Government (R&E), Finance Department.
The Chairman & Managing Director, A.P.Industrial Infrastructure
Corporation Limited (APIIC), Hyderabad.
The PS to Hon'ble Minister for Mines & Geology.
PS to Chief Secretary to Government.
The P.S. to Secretary to Government, Industries & Commerce Department.
SF/SCs.(C.No.15502/M.III(2)/2008)

Copy of this order is available on Internet and can be accessed
At address "<http://ap.gov.in/goir>".

//Forwarded :: By Order//

SECTION OFFICER.